



EX PARTE OR LATE FILED

DOCKET FILE COPY ORIGINAL

Whitney Hatch
Assistant Vice President
Regulatory Affairs

GTE Service Corporation
1850 M Street, N.W., Suite 1200
Washington, D.C. 20036
202 463-5290

May 2, 1996

RECEIVED

MAY 2 1996

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

**EX PARTE: Federal/State Joint Board on Universal Service
CC Docket No. 96-45**

Dear Mr. Caton:

On April 29, 1996 representatives of GTE Service Corporation and of Wilk & Associates met with Commissioner Sharon Nelson of the Washington State Public Utility Commission to discuss GTE's position in the above-captioned matter. The discussion covered issues presented in the attached handout.

Please call me if you have any questions.

Sincerely,

Whitney Hatch

Attachment

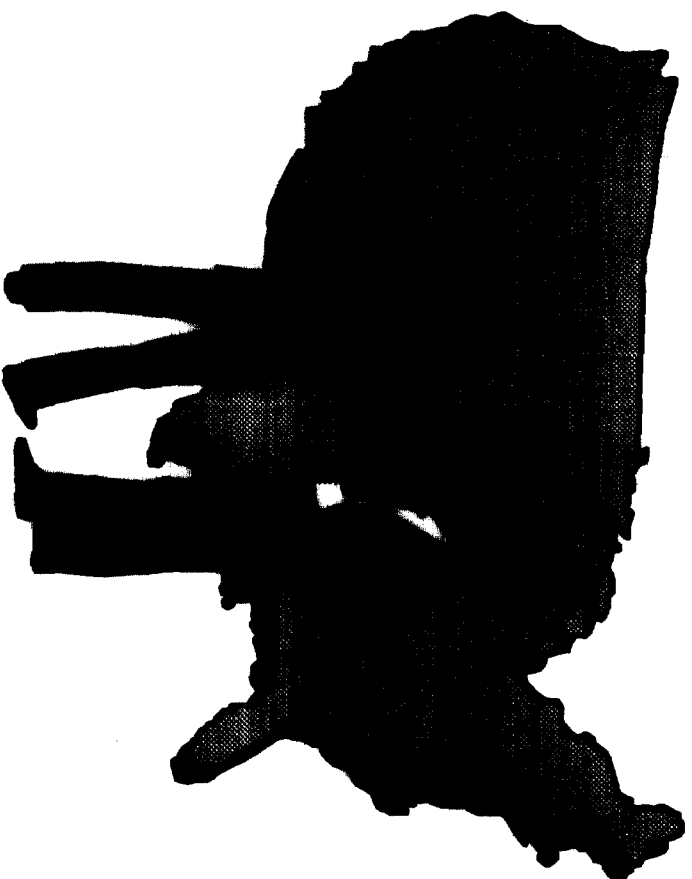
c: S. Nelson

No. of Copies rec'd
List ABOVE

041

Universal Service

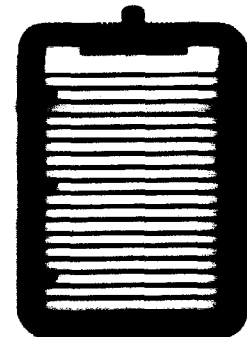
A Proposal for a National Policy



Universal Service

Outline

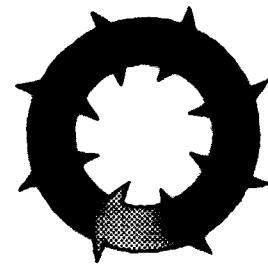
- Purpose
- Principles
- Basic Telephone Service
- Types of Support Provided
- Determining Initial BTS Support Amount
- Competitive Bidding Process
- Opt-In or Opt-Out
- Contributions to the Fund



Universal Service

Purpose

- Ensure that Basic Telephone Service (BTS) is universally available at a reasonable price
- To the degree that market intervention by government requires BTS to be provided at below-market rates, such intervention should be funded by an explicit mechanism



Universal Service

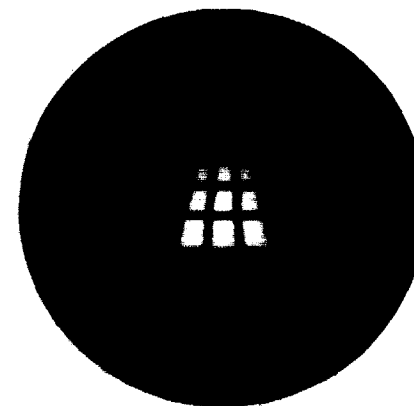
Principles

- **Basic Telephone Service** availability to residential customers at a reasonable price
- **Competitively neutral funding**, both collection and distribution
- **Structural neutrality**, i.e., not based upon ownership
(Does not bias the decision to sell or buy serving areas)

Universal Service

Basic Telephone Service

- **Voice grade access to network**
- **Access to interexchange (toll) service (Inter and IntraLATA)**
- **Availability of residential single party, touch call**
- **Access to Telephone Relay Service (for hearing and speech impaired)**
- **Access to Emergency Services (e.g., 911, E-911)**
- **Directory Assistance and Listing**
- **Does not include usage**
- **Subject to periodic review**



Universal Service

Types of Support Provided

■ Income-Based Support

- Customer meets income qualification
- Certification of qualification provided by gov't. agency
- Portable among common carriers providing BTS

■ USP Support

- Portable among Universal Service Providers (USPs)*
- Paid to USP when market intervention requires the provision of BTS at prices less than required to cause voluntary service provision
- Based initially on LEC's cost: after entry, based on competitive bidding

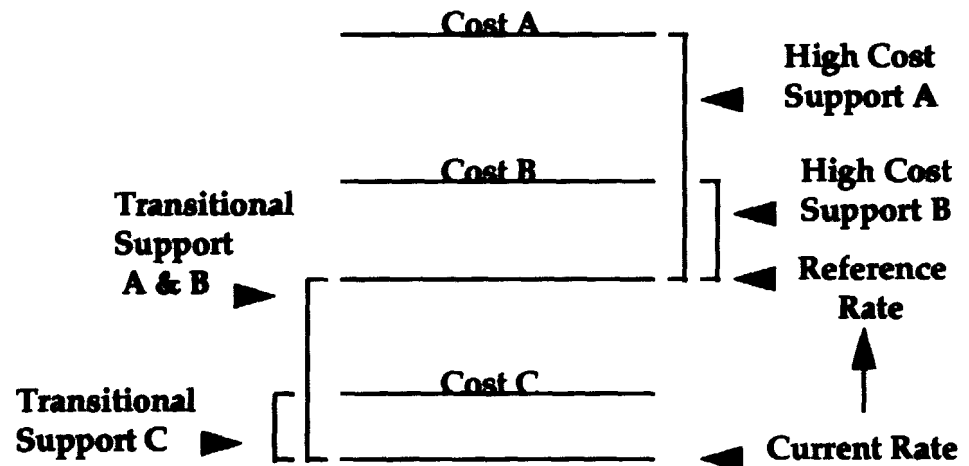
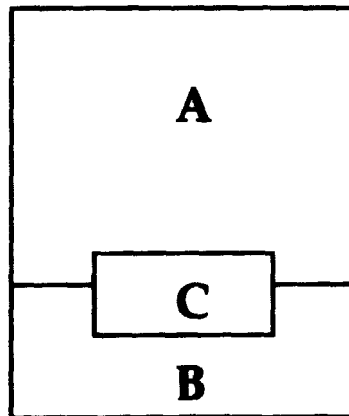
■ Amortization of Under-depreciated facilities installed to fulfill prior USP responsibilities

***Often referred to as "Carrier of Last Resort (COLR)"**

Universal Service

Determining Initial BTS Support Amount Based on LEC Cost

LEC Study Area divided
into smaller BTS Support Areas



Estimated Cost/Line = f (Density, Distance, ?)

$$\frac{\text{Total Study Area Cost}}{\text{Sum of Est. Cost for A, B \& C}} = \text{Adjustment Factor}$$

Adj. Cost for A = Estimated Cost for A x Adj. Factor

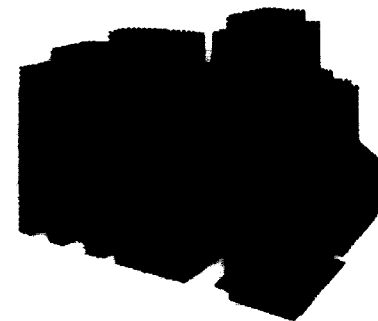
Current rate transitions to the lesser
of the Reference Rate or the
Adjusted Cost over five years

Universal Service

Competitive Bidding Process

To Assign USP Responsibility and Determine BTS Support Amount

- **State Regulators administer a bidding process**
- **Qualified providers bid the amount of BTS support needed in addition to the Current Rate to be a Universal Service Provider**
- **Lowest bid becomes the new level of support for a set period of time (suggest five years)**
- **Successful bidder must assume role of USP at prescribed rates**
- **Other qualified bidders may also choose to be USPs and receive support at the new level**



Universal Service

Opt-In or Opt-Out

If the incumbent USP is not the lowest bidder, it may:

■ Opt-In

- **Remain a USP at the new support level**
- **Make facilities/services available for resale. If at controlled prices, underlying carrier receives USF support**

■ Opt-Out

- **Be classified as a nondominant carrier**
- **Offer service at unregulated prices**
- **Make facilities/services available for resale at unregulated prices (If reseller is a USP, it receives USF support)**

Universal Service

Contributions to the Fund

- **A surcharge on retail sales of all telecommunications services**
 - **Limitation to retail sales avoids double counting of access services, resold services, etc.**